CGAP-MENA Initiative

The G8 at Sea Island in 2004 agreed to launch a microfinance initiative to expand sustainable microfinance in the region and increase financing opportunities for the region's small entrepreneurs. It was agreed that CGAP – the Consultative Group to Assist the Poor – would manage the overall programme, given its experience in other regions and its wide membership base. CGAP MENA has been tasked by the G8 to:

- Build the capacity of microfinance providers
- Stimulate improvements in policy frameworks
- Improve aid effectiveness
- Fund innovations and new institutions in new markets
- Build awareness of microfinance best practices

In order to achieve these objectives, CGAP estimates that the core budget for this programme over 5 years is $20 million. To date, no donor funds have been disbursed other than CGAP's contribution of $1.4million. A further $3.5m has been committed by US State Department, but delays mean this will not be disbursed the next financial year. A draft workplan has been prepared by Rula Dadabneh identifying actitivies envisaged over the next 5 years under each of the headings above. This work programme will be revised in line with funds available.

Since June 2004, CGAP has made considerable progress towards its objectives:

Organisational and management arrangements have been put in place; including:

- Establishment of an Executive Council, made up of ministers and other high-level officials from the MENA region and chaired by Queen Rania of Jordan. The Executive Council had its inaugural meeting in May 2005 during the World Economic Forum at the Dead Sea.
- Establishment of a Microfinance Consultative Group, including G8, regional and other donors/partners, to meet regularly to review microfinance progress, coordinate efforts, set benchmarks, and help governments in the region establish a policy environment conducive to sustainable microfinance institutions, and exchange best practices.
- The recruitment of Rula Dadabneh as Director of the Technical Hub to implement and manage project activities for the region, located within the World Bank office in Amman, Jordan.
- The development of a close partnership with SANABEL (The Microfinance Network for the Arab Countries) and other implementing partners

The CGAP-MENA initiative has already undertaken a number of activities, including the:

- Conduct of Train the Trainer workshops, organised in conjunction with the Sanabel Network
- Development of an Arabic version of the Microfinance Gateway
- Undertaking of legal and regulatory framework diagnostics for Jordan, Morocco, Tunisia, Egypt and Yemen
- The completion of a mapping exercise of donor activity as a step towards coordinating donor activities (a donor training course is planned for this December)
- Agreement to collaborate with the World Bank on country surveys on financial services access (these will help CGAP identify areas for funding start-ups/innovations)

Network of Funds (NOF) Initiative

Summary of Meeting

September 1st, 2005

1. In view of the forthcoming meeting of the NOF scheduled for September 23, 2005 in Washington, a meeting for the coordinators of the NOF was held in Cario in the premises of the European Investment Bank on September 1st, 2005. The main objective of the meeting was to prepare the background for the September 23 meeting, which would focus on multilateral coordination among different Funds providing support to the BMENA region with a view to improving development assistance and effectiveness. This meeting was also expected to come up with a common framework of a memorandum of understanding, which will be presented and discussed at the September 23 meeting in Washington.

2. The meeting was chaired by both the Arab Monetary Fund and the World Bank representatives and was attended by representatives from the African Development Bank, Islamic Development Bank, International Monetary Fund, European Commission and European Investment Bank (list of participants attached).

3. The participants reiterated the importance of the initiative as it will allow the extension of collaboration to a wider group of multilateral institutions, facilitate information sharing on policies and programs, and dialogue on common issues. It was also pointed out that NOF would serve as a framework for joint activities.

4. Participants agreed that membership will be limited to the principal multilateral funding institutions for the time being and would bring about other institutions gradually on a voluntary basis. The participants also reaffirmed that areas of coordination for NOF should be limited at the beginning to four areas, which are, financial sector & policies, Trade, Infrastructure, and Human resources. With regards to modalities of coordination in these areas, the coordinators group will be in charge of coordinating the different working groups submitting the issues to the higher level for decision. Participating institutions will be requested to nominate deputy level representatives for at least one working group. It was also mentioned to ensure policy dialogue, and promote regional initiatives in the selected areas of collaboration.

5. The meeting agreed on the need to draft a Memorandum of Understanding that captures the objective of NOF, type of activities to be promoted, modalities of implementation, membership and frequency of meetings. The draft is to be circulated among participating agencies before its finalization for presentation to the September 23 meeting. It was also agreed to come up with a summary record of the present meeting highlighting issues discussed and agreed upon, and to send it along with the MOU.

6. The participants had briefly discussed the proposed joint projects, the technical cooperation program to help the Arab countries integrating into the multilateral trade system (JITAP), the Arab Payment and securities settlement initiative, and the technical cooperation program to help the Arab countries promoting their debt instruments markets. They stressed the importance of these initiatives, reaffirming the commitment of their institutional to participate in these projects according to the specific mandates of each institutions and line of their business.

7. At the end, the participants have agreed to meet in early next year, and it has been proposed that The Arab Monetary Fund will host this meeting along with the working groups meetings. The participants thanked the European Investment Bank for hosting the present meeting.

List of participant

1.	Ms. A. Amine	Country Operations Officer, Egypt, ADB
2.	Mr. Ali Ibn Abi Talib A. Mohmoud,	WTO officer, Islamic Development Bank
3.	Mr. Bertin Martens	Economist, European Commission
4.	Mr. Cyrus Sassanpour	Senior Resident Representative, IMF
5.	Ms. Julia C. Devlin	Regional Partnership Coordinator, World Bank
6.	Mr. Luigi Ernesto Marcon	Resident Representative, European Invest. Bank
7.	Mr. Moin Uddin,	Section Head, Islamic Development Bank
8.	Mr. Yisr Barnieh	Economist, Arab Monetary Fund

OECD OCDE

MENA-OECD Investment Programme

September 2005

Introduction

MENA-OECD Investment Programme: A Regional Effort

The Organisation for Economic Cooperation and Development (OECD) was invited, alongside its key partners, to provide policy advice on implementing investment policy reform. OECD expertise lies in designing and helping to implement comprehensive investment reform strategies, drawing on its successes with other regional and country-specific programmes.

Key Objectives

The key objective of the Investment Programme is to mobilise private investment — foreign, regional and domestic — as a driving force for economic growth and employment throughout the Middle East and North Africa (MENA) region. The Investment Programme supports reform efforts of MENA governments to enhance the investment climate by:

- Strengthening country capacity for designing, implementing and monitoring investment policy reforms
- Creating a network for dialogue between investment policy makers from MENA and OECD countries
- Creating a favourable environment for employment creation through financial sector development – towards an entrepreneurship culture
- Assisting ministries and government agencies to cooperate and coordinate their work.
- Reinforcing the impact of development initiatives supported by international, regional and bilateral donors

The Investment Programme offers a forum for results-oriented policy dialogue bringing together MENA and OECD practitioners. This innovative partnership serves to share know-how on best practices and lessons learned in implementing investment reforms.

Update – main activities so far

The five Working Groups held their first meetings in January and February 2005 in the MENA region (hosted by: Dubai, Bahrain, Lebanon, Saudi Arabia) and the Steering Group met in April 2005 in Paris. A second round of the five Working Groups was held from 5-18 September (hosted by: Egypt, Bahrain, Morocco and Saudi Arabia). In total seven task force meetings reporting to the Working Groups were conducted in June/July. The next Steering Group meeting will be conducted on 3rd October in Istanbul. **A MENA Investment Ministerial Meeting hosted by Jordan will be conducted on 17 November 2005**, preceded by a Business Forum on 16 November.

MENA-OECD Investment Programme

Process

Building on the OECD model of peer review, policy experts closely work together to design innovative solutions, tailored to the specific policy environment of each MENA country.

Regional Dialogue is structured around five comprehensive investment reform areas which have been identified by MENA countries. Each reform area is implemented by a Regional Working Group, led by a MENA country and co-chaired by a member country of the OECD. The reform areas:

• Promote transparent and open investment policies (Jordan)
• Encourage Investment Promotion Agencies and business associations to act as driving forces for economic reform (Dubai, UAE)
• Provide a tax framework for investment and assessing incentives (Egypt)
• Promote policies for financial sector and enterprise development for economic diversification (Saudi Arabia)
• Improve corporate governance (Lebanon)

A Steering Group guides and supervises the Investment Programme. It is composed of high-level delegates from MENA and OECD countries, other international organisations and the private sector.

The Ministerial Meeting hosted on 17th November by Jordan will review progress and provide guidance for future steps.

National Investment Reform Agenda

The Country Teams are also an essential part of the Investment Programme developing the overall *National Investment Reform Agenda* for participating countries. Country Teams build on existing national, bilateral and multilateral reform efforts with a view to reinforcing their effectiveness.

A Peer Dialogue Framework

The institutional setting of the MENA-OECD Investment Programme provides a framework for Peer Dialogue between MENA countries and OECD countries and a framework for assessment that will ensure a timely and results-oriented implementation of the Programme.

- allow countries to measure their progress in investment reform relative to other countries with a similar history and culture;
- help countries generate support for technical assistance from donors in specific areas covered by the Programme;
- provide a forum in the MENA region to help individuals in the MENA region communicate their progress in the areas of reform that they have focused on;
- help countries approach OECD international standards and policy Instruments.

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MENA-OECD Investment Programme

Three Phases of the MENA-OECD Investment Programme

	Assessment of current state (1st Year)	Implement Reforms (2nd Year)	Assess Progress (3rd Year)
• **Steering Group**	• Define the overall action plan and targets • Mobilise support (OECD, Gov't, Business)	• Monitor and oversee execution of the action plan	• Develop a methodology for integrated impact assessment • Develop a strategy for future actions
• **Working Group**	• Regional assessment of good practices for investment policy • Develop Regional Action Plan	• Develop additional targets for action at regional level	• Assess progress in regional and national investment reforms
• **Country Team**	• Define National Invest-ment Reform Agenda • Co-ordinate input to Working Groups	• Implement priority targets identified in the Investment Reform Agenda	• Update National Investment Reform Agenda • Implement all actions identified in the action plan

• **Ministerial Meeting**

- Approve Regional and National Action Plans
- Adopt Ministerial Declaration on "Attracting Investment to MENA Countries – Common Principles and Good Practice"

Private Enterprise Partnership for the Middle East and North Africa (PEP-MENA)
Update for BMENA meeting, September 24, 2005

Introduction

PEP-MENA has made significant progress since the last update in April 2005. Our approach was to launch activities quickly by utilizing our knowledge of the region and building on existing relationships. Simultaneously, an overall strategy and program plans were developed for the life of the facility.

Planning has focused on two aspects, program content and organizational structure. Developing the program content and related budgets has been guided by three factors: the demand identified, the funding provided, about US$64 million to date, and the initial life span of the facility, until June 30, 2007.

We now have a strong core team in place; however, expanding delivery capacity through recruitment is essential, especially in the next fiscal year as we seek to increase the pace of implementation. During the period we have also been working with donors to finalize their contribution agreements.

Progress Summary

PEP-MENA has moved strongly into implementation. A number of project agreements were signed in the last six months, expanding the coverage of projects to 15 countries in the region. Coverage now includes all four of the frontier countries (Afghanistan, Iraq, West Bank & Gaza, and Yemen), all six of the countries where the private sector is considered to be more developed (Egypt, Jordan, Lebanon, Morocco, Pakistan, and Tunisia); four (Kuwait, Oman, Saudi Arabia, UAE) out of the five Gulf States covered by PEP-MENA, and Algeria, the economy of which continues to have strong state ownership. It is the intention to have activities in all countries of the region over time.

So far, 65 projects are being prepared and/or implemented under PEP-MENA. The type of activities in the PEP-MENA portfolio of projects is distributed as follows: awareness-raising (14%), consulting services (36%), training (38%), and policy development (12%). PEP-MENA sponsored workshops, seminars and roundtables were attended by nearly 1,800 people. Training was provided for 1,500+ people from local governments, NGOs and private sector institutions, while train-the-trainer courses were attended by 143 people. Women represented 33% of all those trained under project activities.

Program Expenditures

Expenditures under PEP-MENA were distributed as expected during its first year. Total spending since inception was over US$7.4 million which included approximately US$700,000 from the rolled over NAED funds. General and administration expenses account for 43% and program expenses represent 57% of overall expenses to date. The latter are divided between 37% for new business development and 63% for direct project expenditures. The relatively elevated general and administration costs reflect the start-up costs associated with the setting up of a new facility. The share of direct project costs will increase progressively as more projects are implemented. The projected budget for the remainder of the life of the facility is presented in a later section of this report.

At the pillar level, the largest share of expenditures are related to SME Development and Financial Markets, with 47% and 48% respectively, as programs are most advanced here. During the course of the facility lifecycle, this distribution will adjust to reflect a more balanced allocation among the pillars.

Operations

Identification and hiring of staff with the right skills continues to be a priority for PEP-MENA. Most of PEP-MENA's growth has been in the Regional Headquarters, Cairo. PEP-MENA now employs 60 permanent staff and 10 consultants, located in 9 countries and representing 16 nationalities. Another 8 staff have already been recruited and will join the facility by the end of the second quarter. PEP-MENA currently has staff presence in Afghanistan, Algeria, Egypt, Jordan, Morocco, Pakistan, United Arab Emirates, West Bank & Gaza, and Yemen.

Sixty eight percent (68%) of staff is from the MENA region, and at the professional level, 50% of staff is from the region. Thirty nine percent (39%) of total staff is female. In order to deliver the mandated technical assistance programs across the region, PEP-MENA plans to recruit an additional 60 to 80 staff over the next fiscal year.

Recruitment, however, is not without some challenges. One of the issues encountered has been that candidates seeking longer-term opportunities have been less interested in PEP-MENA due to its scheduled closure in two years.

PEP-MENA has developed a comprehensive monitoring and evaluation (M&E) framework. An M&E workshop was held recently to integrate the implementation of the framework into all ongoing activities. The framework focuses on early planning to develop an M&E plan for every project where logic models and indicators are being developed along with a PEP-MENA scorecard. Also external and internal evaluations of selected activities will take place during the next year in order to more closely assess the impact of some of the PEP-MENA activities and learn lessons to improve assistance provided.

Funding Status

PEP-MENA was established with a target budget of US$100 million, of which IFC has approved a contribution of US$20 million. Another US$43.9 million has been committed by other donors, with the Islamic Development Bank and Kuwait representing the first contributions from the region. IFC and PEP-MENA's Management will continue efforts to raise the balance. Focus has been on facilitating disbursement of already committed funds, before soliciting additional funding.

Disbursements of US$12 million have already been made by the Netherlands and Japan, in addition to the US$1.3 million from Belgium, Italy and Switzerland, which were rolled over from the NAED program. This rolled over funding is earmarked for continuation of ongoing activities in the three original NAED countries, Algeria, Egypt and Morocco. Also, US$6.7 million has been disbursed from IFC's contribution.

Budget (Fiscal Years 06 and 07)

Subsequent to the drafting of the strategic plans during FY05 for PEP-MENA, budget projections for FY06 and FY07 were prepared. Combined FY06 and FY07 gross expenditures are budgeted at $63.2m, with cost recoveries projected at $6.8m resulting in a net budget of $56.4m. This is in comparison to the $65.2m (inclusive of US$1.3 million from NAED) funding presently signed and/or committed to by donors, less the expenditures incurred in FY05 of $5.7m (providing a remaining signed and/or committed available funding of $59.5m).

Country office expenditures (Management & Administration) are budgeted at $7.2m (FY06: $4.0m; FY07: $3.2m). This cost represents 11% of total gross expenditures. The higher allocation of expenditures in FY06 versus FY07 is indicative of the cost of leasehold improvements in FY06 due to the opening and expanding of offices in the region to support the growing activities of PEP-MENA.

At this stage, total gross expenditures for each of FY06 and FY07 are budgeted at $32.3m and $30.9m respectively (total of $63.2m). This distribution reflects ramp-up costs during FY06, then continued implementation costs during FY07, before downscaling and reduced expenditures at the end of FY07 shortly before the end of the facility's term. This expenditure profile may be revised however and the life of the facility extended depending on the demand for PEP-MENA services, the ability of the facility to recruit the right people, and the need to deliver high quality work to our clients.

Pillar Strategies

During its initial months of existence, PEP-MENA's priority was to develop a strategy to enable it to meet the ambitious goals set for the facility, and to guide effective deployment of resources to maximize impact across the region. The process helped PEP-MENA focus on activities where IFC has a comparative advantage and expertise, as well as identify the demands from potential recipient clients. The result of this work is a robust framework coupled with strong procedure manuals which will ensure development of the most relevant programs for the region. Within the overall strategy we have devised a more detailed strategy and action plan for each pillar.

To maximize the impact of its assistance on the performance of small and medium enterprises, the SME Development Pillar will follow an integrated approach that builds on synergies among PEP-MENA programs and pillars, customizing existing programs in the SME, Business Enabling Environment or Financial Markets pillars and providing specific new services. To operationalize this integrated approach, the SME Development Pillar will engage in the following areas of work:

- *Industry-based SME Development*
- *Enhanced Access to Appropriate, High Quality Business Services for SMEs*
- *Entrepreneurship Institutional Development*
- *Gender Entrepreneurship*

The financial markets programs are designed to generate and leverage investment opportunities, both for IFC and other private investors, while they seek to promote innovative financial products, new delivery mechanisms and greater outreach. Where IFC has a clear comparative advantage, program areas are selected based on an analysis of country needs, potential developmental impact and the degree of commitment demonstrated by our counterparties.

- *Housing Finance*
- *Banking Advisory Service*
- *Microfinance*
- *Leasing*
- *Credit Reporting*
- *Corporate Governance*

PEP-MENA will focus on the implementation of Business Enabling Environment (BEE) programs that deliver rapid and tangible results. The aim is to design projects that deliver a positive impact within a short time-frame by taking a "demonstration" or pilot approach, while supporting the longer-term goals of ongoing reform processes undertaken by the World Bank and other donors.

The BEE pillar will concentrate on the following program areas:

- *Simplification of Business Start-up Procedures*
- *Reform of Other Business Regulations*
- *Institutionalized Alternative Dispute Resolution/Mediation mechanisms*
- *Support to Strategic Industries*
- *Doing Business Conferences and Roundtables*

The Public-Private Partnership and Privatization (PPP) pillar of PEP-MENA will provide advisory, technical assistance and capacity building services to governments in order to enable them to involve the private sector in the delivery of services which thus far have been handled by the state itself. PEP-MENA will focus on opportunities where Governments' interests can be properly safeguarded, where risks associated with a failed PPP are minimized, and where bidding processes are implemented in an efficient and transparent manner.